



Toy Horse Segmentation & Market Simulation Analysis

Based on Conjoint Experiment

Feb 8, 2020

Executive Summary



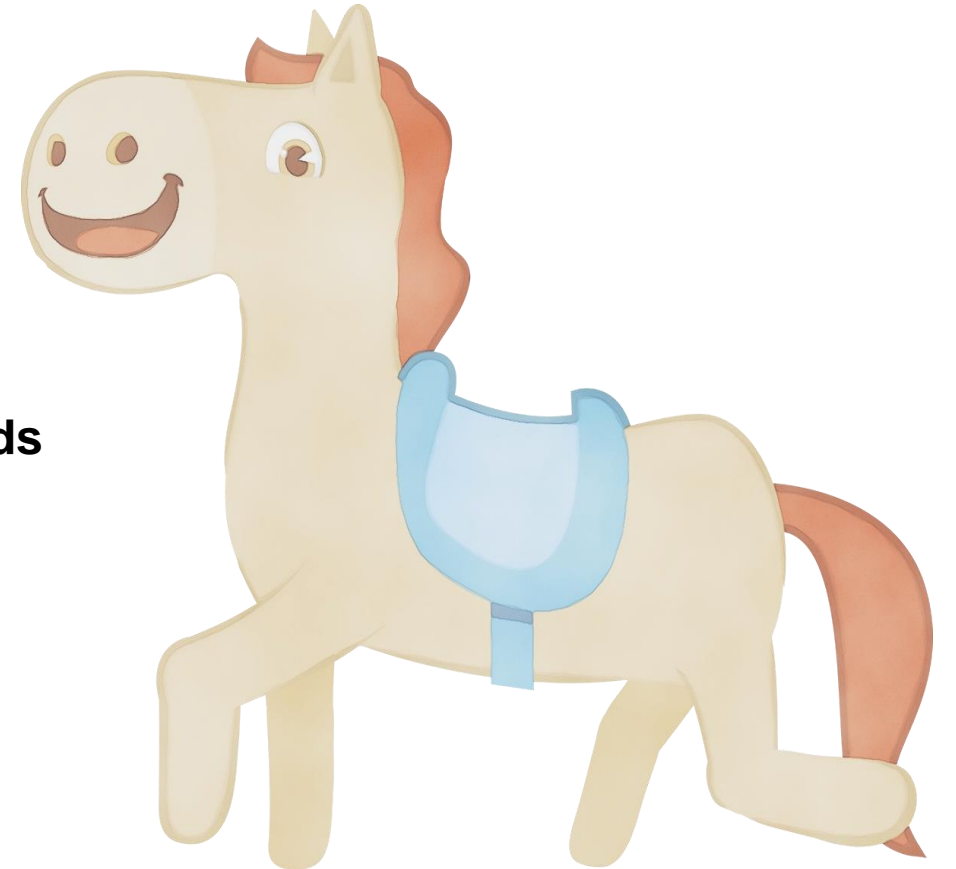
The benefit segmentation analysis shows that there are **3 main segments**, which should be targeted with **Profile 4, 14 and 16**.



The priori segmentation analysis shows that **Male** and **Female** can be targeted with **Profile 4 and 16**; **2-Year-olds** and **3&4-Year-olds** can be targeted with **Profile 16 and 12**.

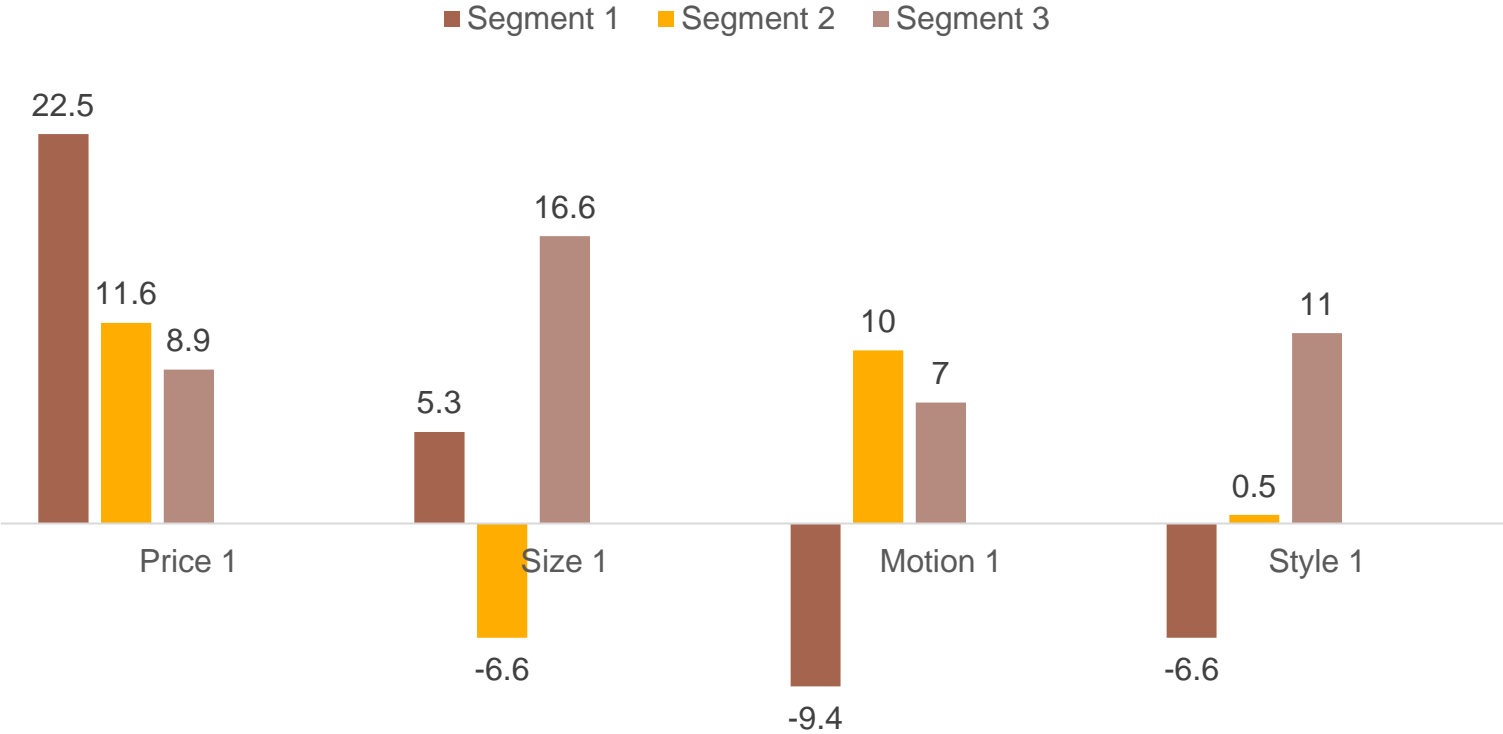


After taking maximum market share and potential profit into account, we recommend Earlyriders to take the following strategy: Launch **Profile 4 & 16 in the 1st year** and launch **Profile 14 in the 2nd year**.



Benefit Segmentation

Preference of Each Segment



Segment 1 - 40%

- Most price sensitive
- Most prefer a design with bouncing and racing
- PROFILE 4



Segment 2 – 26%

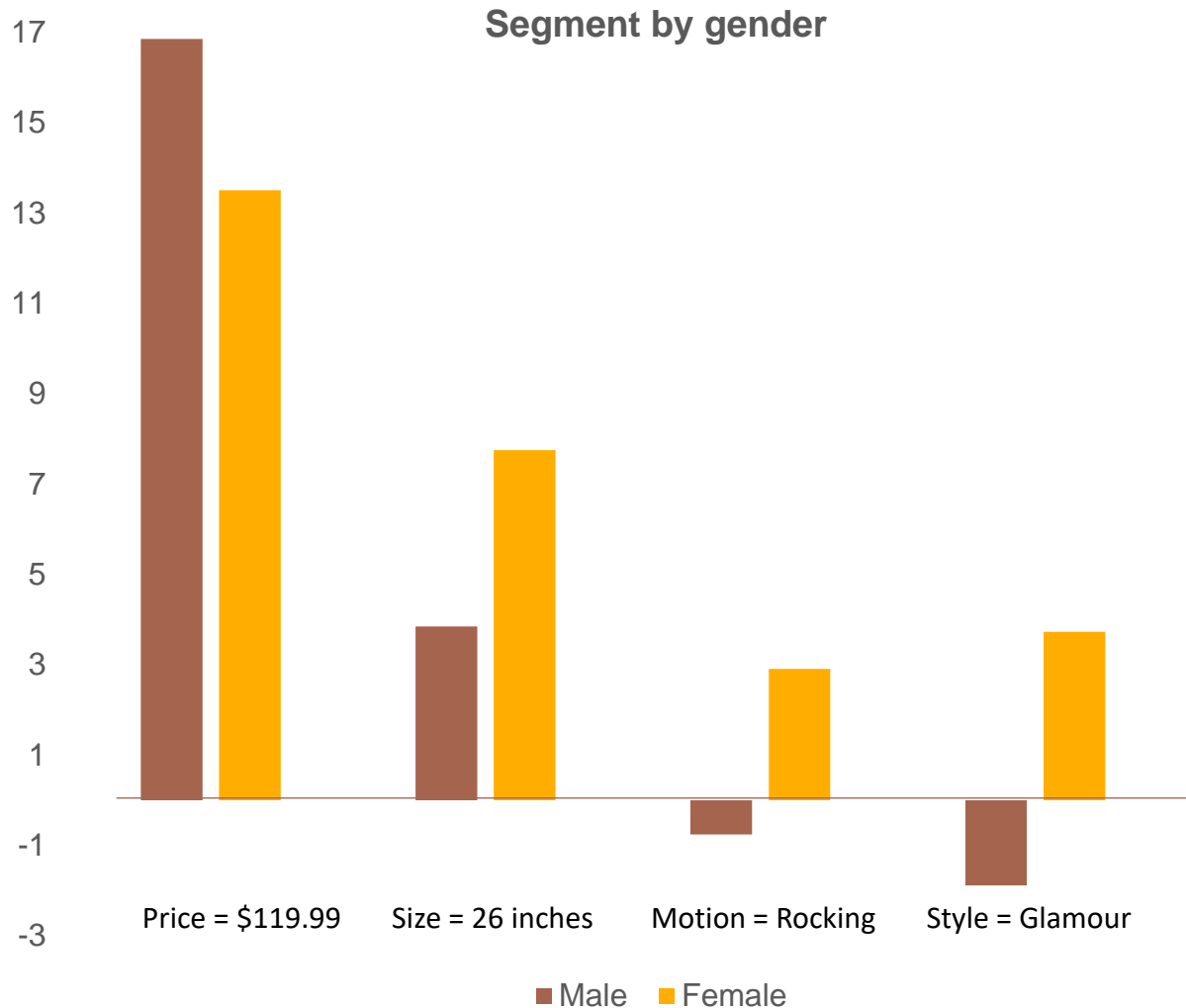
- Most prefer a size with 18 inches
- Most prefer a rocking motion horse
- PROFILE 14



Segment 3 – 34%

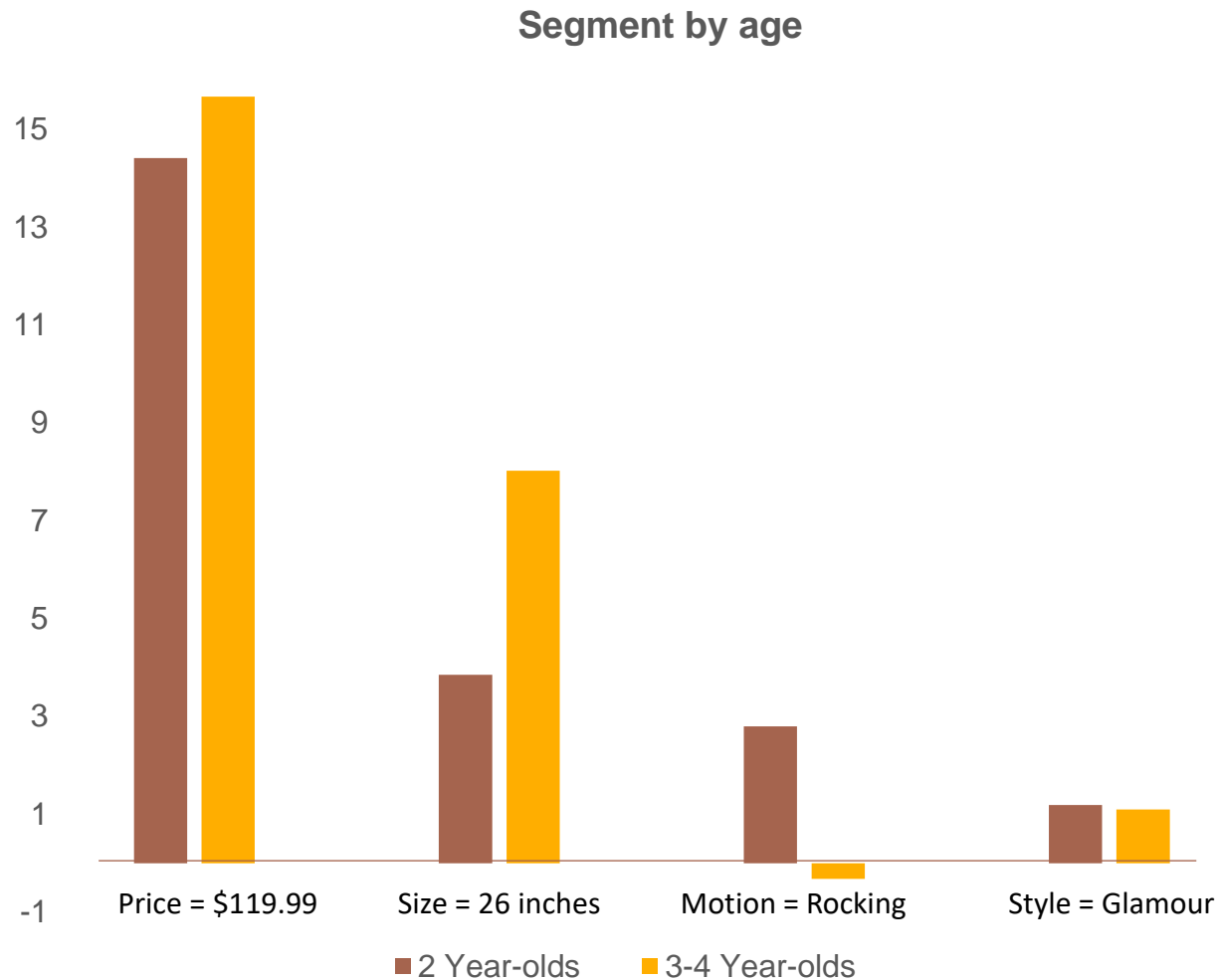
- Least price sensitive group among 3 segments
- Most prefer 26 inches horse with glamour style design
- PROFILE 16

Gender Segmentation



- ▶ Both male and female prefer to select products with **bigger size** and **lower price**, but male is more price sensitive
- ▶ Male and female have **opposite** preference to motion and style
- ▶ **Female** has similar preference with **Segment 3**, so the company can target female with **Profile 16**
- ▶ **Male** has similar preference with **Segment 1**, so the company can target male with **Profile 4**

Age Segmentation



- ▶ Both segments prefer to select products with **bigger size** and **lower price**
- ▶ Both segments have **similar** preference to motion and style
- ▶ **2 Years-Old** has similar preference with **Segment 3**, so the company can target this segment with **Profile 16**
- ▶ **3-4 Years-Old** can be more accurately targeted with **Profile 12**

Product-line Scenarios: Decision Process

Reasons for Choosing Scenarios

- We found **4 potential profiles** to help us target our 3 segments.
- The local retailers can carry only **2 to 3 models** because of the size of these products.
- We need to **avoid cannibalization** among our **3 segments**.
- We decide to launch at most **3 products**.
- We considered both 1-year and 2-year scenario.

Potential Scenario Pool

- **Original Pool:** Profile 5 & 13
- **1-product Pool : Target 1 segment**
Profile 4, Profile 12, profile 14, profile 16
- **2-product Pool : Target 2 segments**
Profile 4&Profile 12, Profile 4& profile 14, Profile 4& profile 16, Profile 12& profile 16, Profile 14& profile 16,
- **3-product Pool : Target 3 segments**
Profile 4&Profile 12 & profile 14, Profile 4&Profile 12 & profile 16, Profile 4&Profile 14 & profile 16, Profile 12&Profile 14 & profile 16

Competitor's Reaction and Scenario Choosing

- We assumed that competitor's **variable costs are the same as ours** and **fixed costs are 0**, and they will **quickly respond** to our reaction.
- After comparing competitor's profit under price \$119.99 and \$139.99, we found that they will certainly **decrease their price** to **gain more profit** after we change our product line.
- Our optimal product line is chosen **after competitor's reaction**.

Market Share and Profit Analysis: 1 Year

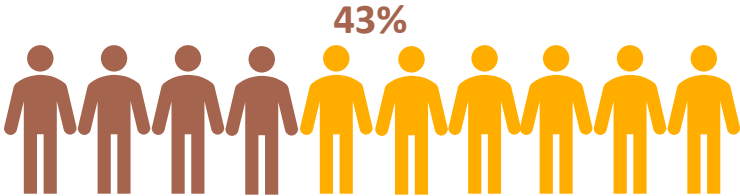
Product Portfolio

Market Share

Potential Profit

Status Quo

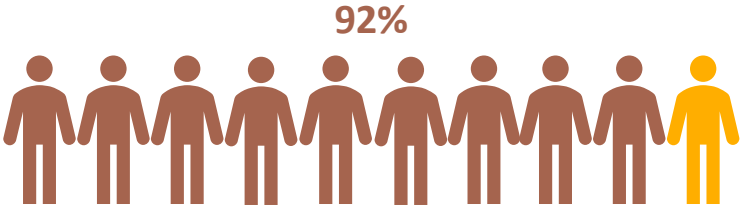
EarlyRiders Profile 13 & 5
Competitor Profile 7



EarlyRiders: \$95862.8
Competitor: \$180097.2

Scenario 1: One Product - 12

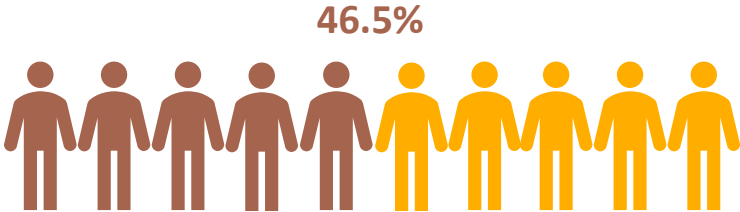
EarlyRiders Profile 12
Competitor Profile 7



EarlyRiders: \$219856.5
Competitor: \$31676.8

Scenario 2: One Product - 12

EarlyRiders Profile 12
Competitor Profile 8



EarlyRiders: \$97934.73
Competitor: \$169038.6

Market Share and Profit Analysis: 1 Year

Product Portfolio

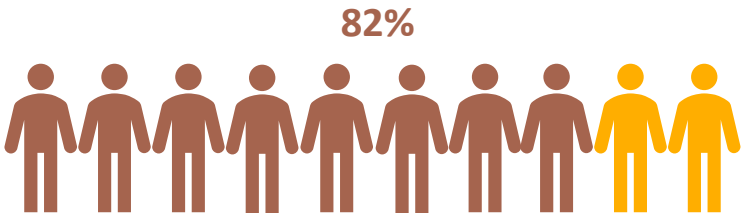
Market Share

Potential Profit

Scenario 3: Two Products - 4 & 16

EarlyRiders Profile 4 & 16

Competitor Profile 8



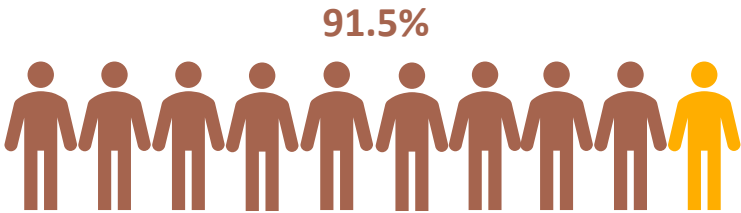
EarlyRiders: \$144073.9

Competitor: \$56872.8

Scenario 4: Three Products - 4 & 14 & 16

EarlyRiders Profile 4 & 14 & 16

Competitor Profile 8



EarlyRiders: \$145343.4

Competitor: \$26856.6

Market Share and Profit Analysis: 2 Years

Product Portfolio

Market Share

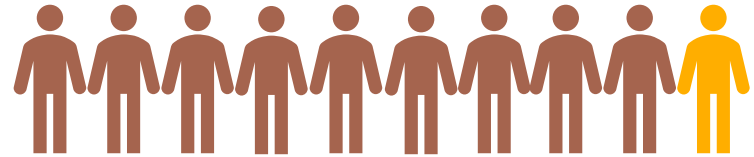
Potential Profit

Scenario 4: Three Products - 4 & 14 & 16

EarlyRiders Profile 4 & 14 & 16

Competitor Profile 8

91.5%



EarlyRiders: \$145343.4

Competitor: \$26856.6

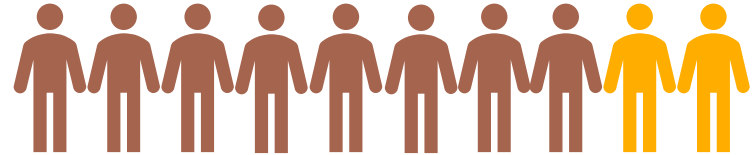
2 yrs profit: \$270686.8

Scenario 5: 1st year Two Products - 4 & 16

EarlyRiders Profile 4 & 16

Competitor Profile 8

82%



EarlyRiders: \$144073.9

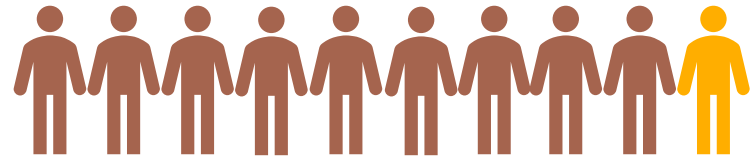
Competitor: \$56872.8

Scenario : 2nd year Three Products - 4 & 14 & 16

EarlyRiders Profile 4 & 14 & 16

Competitor Profile 8

91.5%



EarlyRiders: \$158675.7

Competitor: \$26856.6

2 yrs profit: \$302750.6

Cannibalization: Profile 14 will take 12.5% market share from Profile 16 and 9.5% market share from Competitor



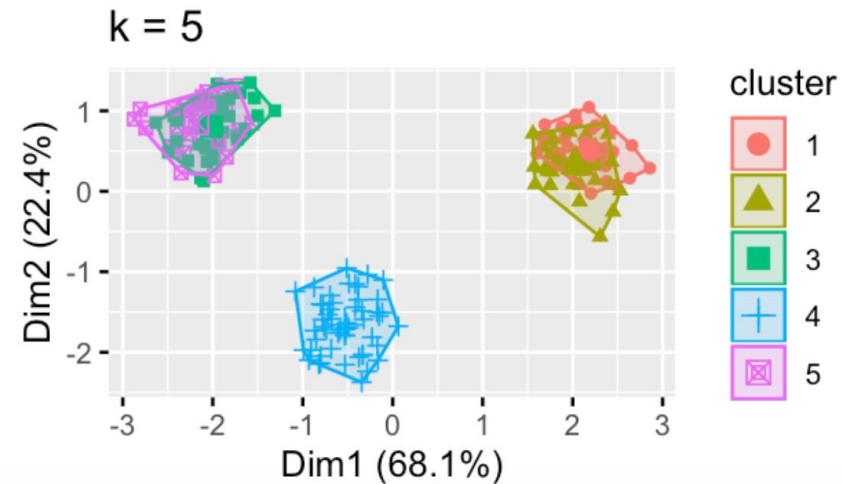
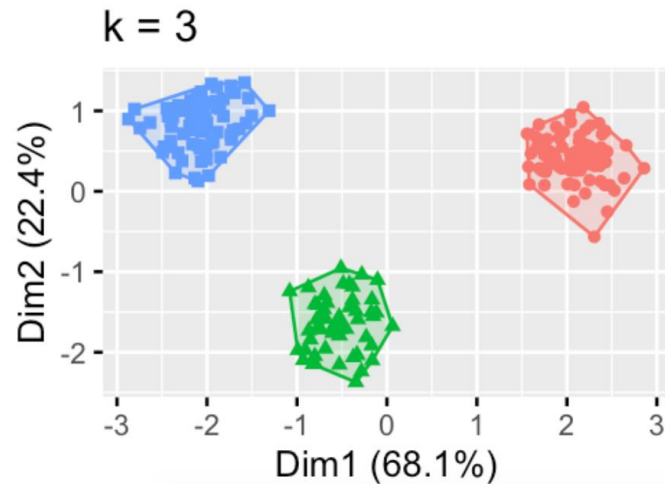
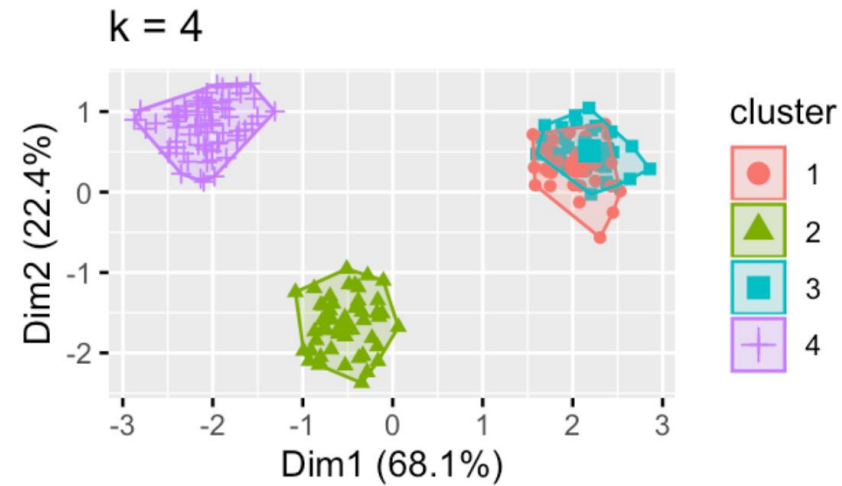
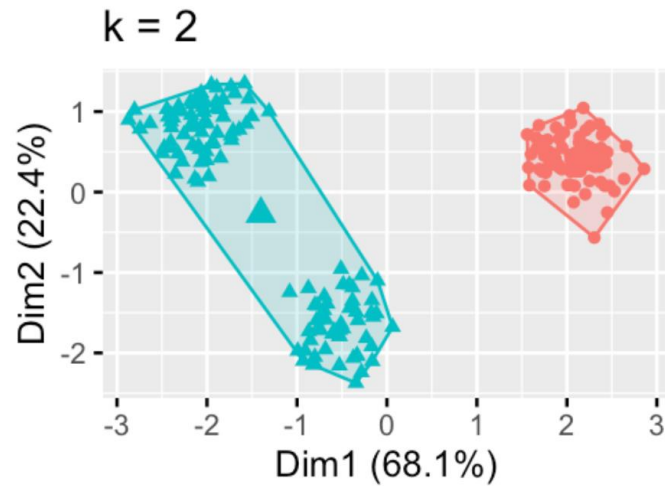
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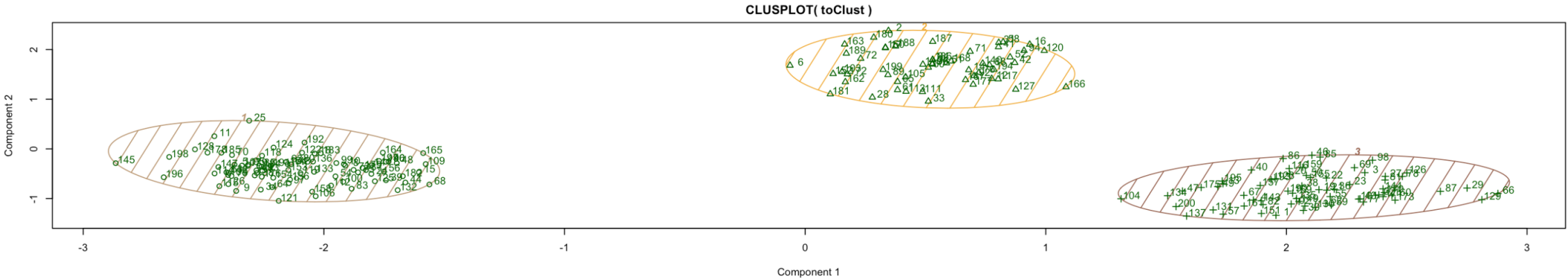
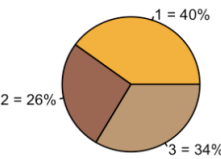
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Appendix – Benefit Segmentation

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Appendix – Benefit Segmentation



These two components explain 90.51 % of the point variability.

